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FAR-BUSH-CHINA; 2 TAKES; 490-620

BY RONNIE WEI

ASSOCIATED PRESS WRITER

HONG KONG (AP) - GEORGE BUSH, FORMER CHIEF OF THE U.S. LIAISON MISSION IN CHINA, SAID TUESDAY HE FAVORED NORMALIZATION OF RELATIONS WITH PEKING, BUT THAT THE UNITED STATES COULD NOT ABANDON THE NATIONALIST CHINESE GOVERNMENT ON TAIWAN.

"BOTH CHINA AND THE UNITED STATES MUST FIND A COMMON GROUND TO IMPROVE THEIR RELATIONS," HE SAID IN AN INTERVIEW AFTER A 17-DAY TRIP TO THE MAINLAND.

BUSH'S VIEWS PARALLELED OFFICIAL POLICY OF THE CARTER ADMINISTRATION AS SET DOWN BY U.S. SECRETARY OF STATE CYRUS R. VANCE.

REFERRING TO PEKING'S CONDITIONS FOR NORMALIZATION, BUSH SAID THE UNITED STATES HAD ALREADY ABANDONED TOO MANY INTERNATIONAL COMMITMENTS.

BUSH, WHO HEADED THE U.S. MISSION IN PEKING IN 1974 AND 1975, SAID THE CHINESE HAVE A POINT WHEN THEY SAY TAIWAN IS PART OF CHINA AND THAT NO OTHER COUNTRIES HAVE THE RIGHT TO INTERFERE IN CHINA'S INTERNAL AFFAIRS.

"BUT WE (THE UNITED STATES) HAVE A POINT TOO. WE WANT A PEACEFUL SOLUTION," HE SAID.

BUSH DECLINED TO TALK ABOUT HIS 2 1/2-HOUR INTERVIEW WITH REINSTITATED CHINESE VICE CHAIRMAN TENG HSIAO-PING, EXCEPT TO SAY THAT TENG INSISTED THAT U.S.-CHINA DIPLOMATIC TIES CAN BE ESTABLISHED ONLY AFTER THE ABOGATION OF THE U.S.-TAIWAN MUTUAL DEFENSE TREATY, SEVERANCE OF RELATIONS WITH TAIWAN AND WITHDRAWAL OF AMERICAN TROOPS FROM THE ISLAND.

HE SAID HE CANNOT AGREE WITH TENG ON THIS POINT.

"MORALLY ONE CANNOT UNILATERALLY SEVER A MUTUAL TREATY," HE SAID.

HOWEVER, HE SAID, THE UNITED STATES AND CHINA MUST WORK HARD TO FIND WAYS TO NORMALIZE RELATIONS.

*These comments represent the initial and tentative reaction of the CIA Operations Center and of the appropriate analytic component in the Agency.*

"PERSONALLY, I DON'T KNOW HOW THIS CAN BE DONE, BUT FOR THE BENEFIT OF BOTH COUNTRIES, WE MUST STRIVE TOWARD THAT GOAL," HE SAID.

IN AN INTERVIEW LAST MONTH WITH THE ASSOCIATED PRESS, TENG SAID CHINA WANTS TO DEVELOP INTERNATIONAL TRADE AND WOULD IMPORT ADVANCED TECHNOLOGY. BUT HE SAID THAT WITHOUT NORMALIZATION TRADE WITH THE UNITED STATES WOULD NECESSARILY BE LIMITED.

ASKED ABOUT CHANGES IN CHINA BETWEEN THE PERIOD HE WAS CHIEF OF MISSION AND HIS LATEST VISIT, THE FORMER HEAD OF THE CENTRAL INTELLIGENCE AGENCY SAID: "THE CHINESE LEADERSHIP IS MORE CONFIDENT AND MOVING FORWARD IN THE RIGHT DIRECTION.

"THE CHINESE SEEMED TO GET AND ACT TOGETHER BETTER THAN BEFORE. THEY ALSO NO LONGER TRY TO HIDE POVERTY," BUSH SAID.

HE SAID THE CHINESE SEEMED MORE RELAXED AND SOME OF THEM WERE WILLING TO DISCUSS PROBLEMS EVEN WITH FOREIGNERS.

COMMENTING ON THE PURGE OF THE RADICAL "GANG OF FOUR," BUSH SAID WHEN HE WAS IN THE UNITED STATES HE THOUGHT IT WAS JUST "PEKING'S POWER STRUGGLE."

AFTER THE LATEST VISIT, HE SAID HE FELT IT WAS MORE THAN A POWER STRUGGLE.

"I COULD FEEL THE DIVISIVENESS IN POLITICS, INDUSTRY, ART, AND EDUCATION (CAUSED BY THE GANG OF FOUR)," BUSH SAID.

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HONG KONG: BUSH SAID.

ASKED WHETHER HE THOUGHT CHINA WOULD BE ABLE TO BECOME A MODERNIZED COUNTRY BY THE END OF THIS CENTURY, BUSH SAID: "THEY HAVE TO HURRY UP. AFTER ALL CHINA IS AN UNDERDEVELOPED COUNTRY AS THEY HAVE SAID THEMSELVES.

"BUT I DON'T UNDERESTIMATE THE CHINESE. THEY HAVE THE POTENTIAL BUT THEY STILL HAVE TO HUSTLE."

BUSH SAID CHINA HAS GREAT OIL POTENTIAL BUT HE THINKS THE COUNTRY DOES NOT WANT TO DEVELOP IT TOO RAPIDLY BECAUSE IT DOESN'T WANT TO INCUR HUGE DEBTS, APPARENTLY BY IMPORTING TECHNOLOGY FROM ABROAD.

HE SAID HE HOPES CHINA WILL ASK FOR U.S. TECHNOLOGY IN OIL PRODUCTION.

"AFTER ALL THE UNITED STATES HAS THE MOST ADVANCED TECHNOLOGY IN THE WORLD," HE SAID.

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